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8  
**IN THE UNITED STATES BANKRUPTCY COURT**  
9  
**FOR THE DISTRICT OF ARIZONA**

10 In re:

Case No. 4:09-bk-27946-EWH

11  
12 Arizona Equipment Rental I, LLC,

Chapter 11

13  
14 Debtor.

15  
16 **FIRST AMENDED DISCLOSURE STATEMENT IN SUPPORT OF PLAN OF**  
17 **REORGANIZATION**  
18 **FILED BY ARIZONA EQUIPMENT RENTAL I, LLC**  
19 **DATED JANUARY 14, 2010**

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**I.**

**INTRODUCTION**

2

3 Pursuant to 11 U.S.C. § 1125, Arizona Equipment Rental I, LLC (“AER” or the “Debtor”),  
4 the debtor in the above-referenced bankruptcy case, hereby submits its *First Amended Disclosure*  
5 *Statement in Support of Plan of Reorganization Filed by Arizona Equipment Rental I, LLC*, dated  
6 January 14, 2010 (the “Disclosure Statement”). The purpose of this Disclosure Statement is to  
7 provide adequate information to the holders of claims or interests in this matter so that they may  
8 make an informed judgment in exercising their right to vote for acceptance or rejection of the *First*  
9 *Amended Plan of Reorganization Filed by Arizona Equipment Rental I, LLC dated January 14,*  
10 *2010* (the “Plan”), a copy of which is attached as Exhibit “A”. **THE DEBTOR RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN IN ORDER TO MAXIMIZE THE RECOVERY OF YOUR CLAIM.**

11 Capitalized terms used in this Disclosure Statement will correspond to terms defined in the  
12 Plan and the Bankruptcy Code. Terms used in this Disclosure Statement that are also defined in  
13 the Plan are defined solely for convenience; and the Debtor does not intend to change the  
14 definitions of those terms from the Plan. If there is any inconsistency between the Plan and this  
15 Disclosure Statement, the Plan is, and will be, controlling.

16

**II.**

**OVERVIEW OF CHAPTER 11**

17

**A. Information Regarding the Plan and Disclosure Statement.**

18 The objective of a Chapter 11 case is the confirmation (*i.e.*, approval by the Bankruptcy  
19 Court) of a plan of reorganization or liquidation. A Chapter 11 plan describes in detail (and in  
20 language appropriate for a legal contract) the means for satisfying the claims against and equity  
21 interests in a debtor. After a plan has been filed, the holders of claims and equity interests are  
22 permitted to vote to accept or reject the plan. Before a debtor can solicit acceptances of its plan,  
however, Section 1125 of the Bankruptcy Code requires the debtor to prepare a disclosure  
statement containing adequate information of a kind, and in sufficient detail, to enable those  
parties entitled to vote on the plan to make an informed judgment about the plan and about  
whether they should accept or reject the plan.

17 The purpose of this Disclosure Statement is to provide sufficient information about the  
18 Debtor and the Plan to enable you to make an informed decision in exercising your right to accept  
19 or reject the Plan. Therefore, this Disclosure Statement provides relevant information about the  
20 Debtor, its property and financial condition, and the Plan.

19 This Disclosure Statement will be used to solicit acceptances of the Plan only after the  
20 Bankruptcy Court has entered an order approving this Disclosure Statement. Approval by the  
21 Bankruptcy Court of this Disclosure Statement means only that the Bankruptcy Court has found  
22 that this Disclosure Statement contains sufficient information for the Debtor to transmit the Plan  
and Disclosure Statement to Creditors and to solicit acceptances of the Plan.

1           After the Bankruptcy Court has granted approval of this Disclosure Statement and there  
2 has been voting on the Plan, the Bankruptcy Court will conduct a Confirmation Hearing  
3 concerning whether the Plan should be approved. At the Confirmation Hearing, the Bankruptcy  
4 Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code.  
5 The Bankruptcy Court also will receive and consider a ballot report prepared by the Debtor that  
will present a tally of the votes accepting or rejecting the Plan cast by those entitled to vote.  
Accordingly, all votes are important because they can determine whether the Plan will be  
confirmed. Once confirmed, the Plan is essentially a new contract between the Debtor and its  
Creditors and is binding on all Creditors and other parties-in-interest in the Debtor's Bankruptcy  
Case regardless of whether any particular Creditor voted to accept the Plan.

6           **THIS DISCLOSURE STATEMENT IS NOT THE PLAN.**  
7           **FOR THE CONVENIENCE OF CREDITORS AND**  
8           **HOLDERS OF EQUITY INTERESTS, THE PLAN IS**  
9           **SUMMARIZED IN THIS DISCLOSURE STATEMENT.**  
10           **ALL SUMMARIES ARE QUALIFIED IN THEIR**  
11           **ENTIRETY BY THE PLAN ITSELF. IN THE EVENT OF**  
12           **ANY INCONSISTENCY BETWEEN THIS DISCLOSURE**  
13           **STATEMENT AND THE PLAN, THE PLAN WILL**  
14           **CONTROL.**

15           **B. Representations.**

16           This Disclosure Statement has not been subjected to a certified audit; however, it has been  
17 prepared in part from information compiled by the Debtor from records maintained by it in the  
ordinary course of its business or from information received by the Debtor from third parties.  
18 Every effort has been made to be as accurate as possible in the preparation of this Disclosure  
Statement. Nevertheless, the inclusion of financial information in this Disclosure Statement and  
exhibits is subject to adjustment, and the Debtor reserves all rights to object to or challenge any  
Claims that are filed or asserted in the Case.

19           This is a solicitation by the Debtor only and is not a solicitation by its attorneys, agents,  
20 financial advisors, or accountants. No statement or information concerning the Debtor or its assets  
or securities are authorized, other than those set forth in the Disclosure Statement.

21           **III.**  
**BACKGROUND & EVENTS LEADING TO FILING**

22           Arizona Equipment Rental I, LLC ("AER") is an Arizona limited liability company  
operating in Tucson, Thatcher, Miami, and Eloy, Arizona. AER was founded by Lance Evic and  
Jeffrey Bleecker in 2004 as a Volvo Rents franchise construction equipment rental company  
serving Arizona. AER is headquartered in Tucson, Arizona, and currently employs approximately  
30 employees. Lance Evic possesses an extensive career background in the rental industry, with  
over 25 years work experience. Prior to getting involved with AER, Jeffrey Bleecker owned a  
local manufacturing business for 17 years.

1           AER experienced very rapid growth during the first 3 years of operation. Starting with a  
2 fleet of approximately \$3.5MM in April of 2004, AER grew to a fleet of over \$30MM as of July  
3 31, 2008. AER exceeded projected performance, as measured by its initial business plan, and  
4 became profitable by month 6 of operation. By the end of the second year of operations, AER had  
5 opened a second store and posted profits of well over \$1MM.  
6

7           AER's successful business philosophy consists of several basic principles: (i) create a  
8 business culture and environment to attract and retain the best performing professionals in the  
9 market; and (ii) create a business atmosphere of excellence whereby company culture is based on  
10 a desire to achieve a higher standard of service, provide better, newer equipment and have a more  
11 extensive fleet than the competition. AER seeks to attract and retain business relationships with  
12 A-level contractors in the community by surpassing competitors' offerings and exceeding the  
13 expectations of customers. AER strives to set itself apart from all competitors in the marketplace  
14 in critical areas including reliable equipment and selection, as well as friendly, responsive service.

15           In the fall of 2008, AER experienced a severe reduction in revenues due to the rapid and  
16 dramatic slow down of construction and mining activity in the State of Arizona. This decreased  
17 demand has resulted in severely reduced time utilization of equipment, as well as a sharp cut in  
18 rental rates. Overall revenues since the Fall of 2008 have fallen by more than sixty percent (60%).  
19 AER is seeking to effectuate a financial restructuring with its lenders in order to return to  
20 profitability. For the year ending 2008, Debtor had total revenue less equipment sales of  
21 \$14,339,928 and generated a net profit of \$1,625,956 based on the unaudited financial statements  
22 of the company.

13           Volvo Financial Services ("Volvo") is the Debtor's largest secured creditor. As of October  
14 1, 2009, Volvo claimed that the Debtor owed approximately \$9,817,037.25. The Volvo Loan  
15 includes a master loan and security agreement, with separate notes for each piece of equipment  
16 that is financed.

17           JLG Finance ("JLG") is also a secured creditor of Debtor, and has acquired various loans  
18 from other secured lenders of Debtor. Pursuant to these various loan and security agreements,  
19 JLG claims a secured interest in some of the equipment, receivables, cash, and other assets of the  
20 Debtor's business. As of October 1, 2009, JLG claimed that the Debtor owed approximately  
21 \$1,483,929.04 pursuant to the Wells Fargo loan agreement; approximately \$1,065,370.63 pursuant  
22 to the US Bancorp loan agreement; and approximately \$479,400 pursuant to the GE Capital/Ingersoll Rand loan agreement.

18           GE Commercial Distribution Finance ("GE CDF"), John Deere Credit ("JDC"), CNH  
19 Capital ("CNH"), Huntington Equipment Finance ("Huntington") and Komatsu Financial Limited  
20 Partnership ("Komatsu") are also secured creditors of Debtor, and each claim a secured interest in  
21 some of the equipment, receivables, cash, and/or other assets of the Debtor's business. As of the  
22 Petition Date, GE CDF claims that the Debtor owed approximately \$1,575,125.26; JDC claims  
that over \$330,000 was owed; and Komatsu claims that approximately \$147,539.14 was owed.  
The CNH loan agreement was purportedly transferred to PNCEF, LLC ("PNC"), and PNC claims  
that the Debtor owes approximately \$125,728.80.

1           In addition, Debtor entered into lease agreements with People's Capital, National City  
2 Commercial Capital, and Siemens Financial Services, Inc. Debtor will either assume or reject  
2 those leases by January 4, 2010.

3           Over the course of the 2009 year, AER attempted to negotiate with its secured lenders to  
4 obtain modified loan terms that would allow AER to continue to maintain profitable business  
5 operations. Unable to reach agreements with many of its secured lenders and lessors, AER filed  
6 the instant bankruptcy case on October 30, 2009 to assist the Debtor with restructuring certain  
7 liabilities and maximizing its assets, so that the Debtor's business and cash flow can normalize  
8 and continue to be profitable. Debtor has continued to provide equipment rentals and services to  
9 its existing and future customers during the pendency of these proceedings.

10

**IV.**  
**POST-PETITION PROCEEDINGS AND EVENTS**

11

**A. Summary of Key Events Related to the Bankruptcy Case.**

12           While more detailed information related to the events in the Bankruptcy Case can be  
13 obtained by assessing the Bankruptcy Court's CM/ECF filing system and reviewing the pleadings  
14 filed in Case No. 4:09-bk-27946-EWH, the following is a summary of certain key bankruptcy-  
15 related proceedings and events associated with this Bankruptcy Case:

16           1. **Filing of Bankruptcy Petition.** On October 30, 2009 (the "Petition Date"), AER  
17 filed a voluntary Chapter 11 bankruptcy petition with the United States Bankruptcy Court for the  
18 District of Arizona. This bankruptcy case is currently being administered under Bankruptcy Case  
19 No. 4:09-bk-27946-EWH.

20           2. **Retention of Professionals.** On October 30, 2009, the Debtor filed the *Application*  
21 for an Order Under 11 U.S.C. § 327(A) Authorizing the Employment of Gallagher & Kennedy,  
22 P.A. as General Counsel to the Debtor (Docket no. 2) seeking authorization for Gallagher &  
23 Kennedy, P.A. ("G&K") to perform legal services for the Debtor which may be necessary and  
24 proper in these proceedings, including provide legal advice with respect to the powers and duties  
25 of a debtor-in-possession; to prepare necessary legal papers; to appear in court and to assist with  
26 any disposition of assets by sale or otherwise. On or about November 5, 2009, Debtor was  
27 authorized to retain G&K as its general counsel in connection with the bankruptcy case (Docket  
28 no. 31).

29           Also on October 30, 2009, the Debtor filed the *Application for an Order Under 11 U.S.C.*  
30 *§ 327(A) Authorizing the Employment of Peritus Commercial Finance, LLC as Financial Advisor*  
31 *to the Debtor* (Docket no. 4) seeking authorization for Peritus Commercial Finance, LLC  
32 ("Peritus") to provide financial advice to the Debtor relating to this case. On or about November  
33 5, 2009, Debtor was authorized to retain Peritus as its financial advisor in connection with the  
34 bankruptcy case (Docket no. 32).

35           3. **Cash Collateral.** On October 30, 2009, the Debtor filed the *Emergency Motion for*  
36 *Interim Order to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363* (the "Cash Collateral  
37 Motion"; Docket no. 8). Through the Cash Collateral Motion, the Debtor sought an interim order

1 authorizing it to pay necessary and essential post-petition operating expenses with certain cash and  
2 cash equivalents in which various entities claimed or may claim an interest. The Bankruptcy  
3 Court held a preliminary hearing on the Cash Collateral Motion on November 4, 2009 and entered  
4 an interim order authorizing the Debtor's use of cash collateral (Docket no. 33). The Court also  
5 set a final hearing on the matter for November 25, 2009.  
6

7 The following objections were filed in response to Debtor's Cash Collateral Motion:  
8 *Notice of Nonconsent to Use of Cash Collateral* filed by Volvo Commercial Finance (Docket no.  
9 12); *Objection to Emergency Motion for Use of Cash Collateral and Motion for Adequate  
10 Protection* filed by Volvo Commercial Finance (Docket no. 18); *Response of GE Commercial  
11 Distribution Finance Corporation* (Docket no. 26); and *Objection to Proposed Interim Cash  
12 Collateral Order* filed by People's Capital and Leasing Corp. (Docket no. 27). The Court entered  
13 its final Order on the Cash Collateral Motion after arguments at the hearing on November 25,  
14 2009 (Docket no. 78).

15       **4. Inventory Motion.** On November 10, 2009, the Debtor filed a *Motion for Entry of  
16 an Order Confirming Authority of the Debtor to Sell Inventory in the Ordinary Course of Business*  
17 (the "Inventory Motion"; Docket no. 40). Through the Inventory Motion, Debtor sought  
18 confirmation to continue to sell certain inventory items in the ordinary course of its business  
19 operations.

20       The following objections were filed in response to Debtor's Inventory Motion: *Limited  
21 Objection of GE Fleet Services to Debtor's Motion* (Docket no. 47); *People's Capital and Leasing  
22 Corp.'s Limited Objection to Debtor's Motion* (Docket no. 51); *Objection to Motion for Entry of  
Order Confirming Authority of Debtor to Sell Inventory in the Ordinary Course of Business* filed  
by John Deere Construction and Forestry Company (Docket no. 58); *Limited Objection to Motion  
for an Order Confirming Authority of Debtor to Sell Inventory in the Ordinary Course of Business*  
filed by Komatsu Financial Limited Partnership (Docket no. 59); *Limited Objection to Motion to  
Sell Inventory in the Ordinary Course* filed by Siemens Financial Services (Docket no. 62);  
*Omnibus Limited Objection to (I) Entry of Final Order Authorizing Debtor to Use Funds Claimed  
as Cash Collateral and (II) Debtors Motion for Entry of an Order Confirming Authority of the  
Debtor to Sell Inventory in the Ordinary Course of Business* filed by JLG Industries, Inc. (Docket  
no. 65); *Limited Objection of GE Commercial Distribution to Debtor's Motion* (Docket no. 66);  
and *Objection to Motion to Approve Sales in the Ordinary Course* filed by VFS US, LLC (Docket  
no. 72).

23       Debtor filed an *Omnibus Response to Objections to Debtor's Motion for an Order  
24 Confirming Authority of the Debtor to Sell Inventory in the Ordinary Course of Business* on  
25 November 24, 2009 (Docket no. 77). After arguments at the hearing on November 25, 2009, the  
26 Court entered its Order granting the Inventory Motion (Docket no. 79).

27       **5. Lease Rejection Motion.** On January 8, 2010, the Debtor filed a *Motion for Order  
28 Under 11 U.S.C. Section 365(a) Authorizing the Debtor to Reject Certain Unexpired Personal  
29 Property Leases* (the "Lease Rejection Motion"; Docket no. 112). Through the Lease Rejection  
30 Motion, Debtor sought authorization to reject certain personal property leases between the Debtor  
31 and Huntington, Siemens, and PNC respectively.

**6. Disclosure Statement Proceedings.** On December 4, 2009, the Debtor filed its *Disclosure Statement in Support of Plan of Reorganization Filed by Arizona Equipment Rental I, LLC, dated December 4, 2009* (the “Original Disclosure Statement”; Docket no. 88). Objections to the Original Disclosure Statement were filed by GE Commercial Distribution Finance Corporation (“GECDF”) on January 7, 2010 (Docket No. 110) and by Volvo Financial Services (“VFS”) on January 6, 2010 (Docket No. 108).

On January 12, 2010, the Court held a hearing on the Original Disclosure Statement and required the Debtor to amend the certain sections to resolve the outstanding objections and include the information requested by interested parties. Thereafter, on January 13, 2010, the Court issued its Minute Entry Order requiring six specific revisions to the Original Disclosure Statement (Docket No. 119). This First Amended Disclosure Statement addresses, among other things, the six items requested by the Court as well as those raised by various interested parties.

**V.**  
**DESCRIPTION OF ASSETS AND THEIR VALUE**

#### **A. Inventory and Personal Property of AER.**

As set forth in Debtor's Amended Schedule B (Docket no. 68), Debtor maintains an extensive inventory of owned and leased equipment. The value of the inventory and office equipment in Debtor's possession, as of October 30, 2009, was approximately \$10,742,971.89. An updated inventory list, dated November 30, 2009, is attached as Exhibit "B".

## **B. Cash and Receivables.**

In addition to the property listed above, Debtor's accounts receivable were approximately \$1,319,638.57 as of the Petition Date. Finally, as of the Petition Date, the Debtor had unencumbered cash on hand in excess of \$550,000. Balance sheets and profit and loss statements reflecting updated cash and receivables amounts from AER for the month of November 2009 are attached to this Disclosure Statement as Exhibit "C".

## VI. **FINANCIAL CONDITION AND ANALYSIS**

#### **A. Present Operations.**

The Debtor's business is currently income producing. However, the recent economic downturn, especially with regard to the construction and mining industries, has negatively impacted the Debtor's cash flow and ability to service debt. Debtor is current on all ordinary course post-petition obligations. Recently, the Debtor terminated certain leases and returned equipment, thereby reducing its expenses and fleet size.

In addition, Debtor recently reached an agreement with Volvo Financial Services, its largest secured lender, to restructure its debt obligation. Pursuant to the Term Sheet dated November 23, 2009, a copy of which is attached to this Disclosure Statement as Exhibit "D", the parties have agreed to an Approved Secured Claim for Volvo in the approximate amount of \$6.2

1 million, and an unsecured claim in the amount of approximately \$3.8 million. In addition, Volvo  
2 has agreed to provide Exit Financing in the amount of \$3 million to allow Debtor to accomplish  
3 restructuring and/or payoffs of its other secured debts.

4 **B. Future Operations.**

5 With the reduction in expenses and fleet size that the Debtor has already accomplished  
6 during the pendency of this Bankruptcy Case, combined with the debt restructuring set forth in the  
7 Plan, the Reorganized Debtor will operate under the current management and will continue to  
8 provide equipment rentals and services to its existing and future customers.

9 **VII.  
SOURCES OF INFORMATION**

10 The financial information contained in this Disclosure Statement is derived from a number  
11 of sources. Values ascribed to AER's Assets were provided by the Debtor. Information on  
12 Claims of Creditors was obtained from the financial records of the Debtor and the statements and  
13 schedules on file in the Bankruptcy Case.

14 The information contained in this Disclosure Statement represents the Debtor's best  
15 estimate in light of current market conditions and past experience. All the information provided is  
16 subject to change and represents the best information available at the time, the actual results may  
17 differ.

18 Specifically, the asset valuations for Equipment were compiled by the Debtor from a  
19 combination of recent sale results from equipment auctions, equipment broker listings, broker  
20 input, and advertisements for equipment of like kind and age listed in Machinery Trader and  
21 similar publications.

22 The accounting and financial information provided by the Debtor is based on Generally  
Accepted Accounting Principles ("GAAP") and the calculations were prepared by the Debtor's  
controller, Mr. Derek Miller.

23 **VIII.  
SUMMARY OF THE PLAN**

24 The following provides a summary of the overall structure and classification of claims  
25 against or interests of or in the Debtor and is qualified in its entirety by reference to the Plan,  
26 which is attached as Exhibit "A". The statements in this Disclosure Statement include summaries  
27 of the provisions contained in the Plan. This summary does not purport to be a complete  
28 statement of all terms in the Plan, and reference is made to the Plan for the full and complete  
29 statement of such terms. The Plan controls the treatment of Claims against and Equity Interests of  
30 and in the Debtor and other parties-in-interest. Where Claims are divided into subclasses in the  
31 Plan, each subclass will be considered to be a separate class for all confirmation purposes,  
32 including treatment and voting on the Plan.

1      A.    **Classification and Treatment of Claims and Interests.**

2      1.    **Class 1 (Administrative Expense Claims).** Class 1 consists of all Allowed  
Administrative Expense Claims against AER.

3      2.    **Class 2 (Priority Tax Claims).** Class 2 consists of all Allowed Priority Tax Claims  
against AER.

4      3.    **Class 3 (Secured Tax Claims).** Class 3 consists of all Allowed Secured Tax  
Claims against AER.

5      4.    **Class 4 (Secured Claims).** Class 4 consists of all Allowed Secured Claims against  
AER, in the amounts set forth below for each respective creditor.

6      5.    **Class 5 (Unsecured Claims).** Class 5 consists of all Allowed Unsecured Claims  
held against AER by all Unsecured Creditors, including deficiency claims of secured creditors  
against AER.

7      6.    **Class 6 (Related Parties Unsecured Claims).** Class 6 consists of all Allowed  
related Parties Unsecured Claims by all individuals or affiliated entities that have made unsecured  
loans to AER.

8      7.    **Class 7 (Membership Interest in AER).** Class 7 consists of the membership  
interests of the members of AER.

9      B.    **Summary of Treatment of Unimpaired Classes.**

10     1.    **Class 1 (Administrative Claims).** Every Creditor holding an Allowed Class 1  
Claim will be paid, in full satisfaction of the Allowed Class 1 Claim: (a) fully and in Cash on or  
before the Effective Date if the Claim is then an Allowed Claim; (b) fully and in Cash when and if  
the Claim becomes an Allowed Claim after the Effective Date; or (c) as otherwise agreed in  
writing by the Creditor holding the Allowed Claim or ordered by the Bankruptcy Court. Allowed  
Class 1 Claims will be paid from Cash held by AER. Class 1 Claims are unimpaired pursuant to  
the Plan and votes to accept or reject the Plan will not be solicited from Creditors holding Class 1  
Claims.

11     2.    **Class 7 (Membership Interest in AER).** The members of AER will retain their  
respective membership interest in AER. Class 7 Claims are unimpaired pursuant to the Plan and  
votes to accept or reject the Plan will not be solicited from Creditors holding Class 7 Claims.

12     C.    **Summary of Treatment of Impaired Classes.**

13     1.    **Class 2 (Priority Tax Claims).** To the extent Priority Tax Claims exist on the  
Effective Date, those holders of Priority Tax Claims will be paid from Cash held by the Estate  
over a period not exceeding five (5) years after the Petition Date. Class 2 Claims are impaired, and  
holders of Allowed Class 2 Claims will be entitled to vote to accept or reject the Plan.

1           **2. Class 3 (Secured Tax Claims).** Allowed Class 3 Claims will be paid quarterly in  
2 equal installments of principal and interest, over a period of five (5) years after the Effective Date.  
3 Interest will accrue, in accordance with § 511 of the Bankruptcy Code and § 42-18053 of the  
4 Arizona Revised Statutes, on the unpaid principal balance of the Class 3 Claims from and after the  
5 Effective Date. The first payment on Allowed Class 3 Claims will be made on the date which is  
6 ninety (90) days after the Effective Date. Holders of Allowed Class 3 Claims will retain their  
7 liens on any Assets of AER that serve as security for repayment of Allowed Class 3 Claims. Class  
8 3 Claims are impaired and holders of Allowed Class 3 Claims will be entitled to vote to accept or  
9 reject the Plan..

10           **3. Class 4 (Secured Claims)** The Allowed Class 4a1 and 4a2 Claims of Volvo will be  
11 paid the Allowed Amount set forth below, in accordance with the provisions of the Term Sheet  
12 and addendum which are attached as Exhibit "A" to the Plan. Allowed Class 4c through Class 4h  
13 Claims will be paid the Allowed Amount set forth below in Classes 4c through Class 4h through  
14 monthly payments of principal and interest according to a five (5) year amortization schedule,  
15 with interest at the rate of five percent (5%) per annum, beginning thirty (30) days after the  
16 Effective Date of the Plan. Class 4 Claims are impaired, and holders of Allowed Class 4 Claims  
17 will be entitled to vote to accept or reject the Plan.

Class	Description	Allowed Amount(1)(2)(3)	Monthly Plan Payments	Annual Plan Payments
4a1	<i>Volvo Financial Services</i>	\$ 6,200,000	\$ 120,585	\$ 1,447,020
4a2	<i>Volvo Financial Services (Retail Claim)</i>	\$ 79,900	\$ 1,554	\$ 18,648
4b1	<i>JLG Finance (formerly Wells Fargo)</i>		elected Discounted Payoff option	
4b2	<i>US Bancorp (JLG)</i>		elected Discounted Payoff option	
4b3	<i>GE Capital Lease (JLG)</i>		elected Discounted Payoff option	
4c	<i>John Deere Credit (4)</i>	\$ 289,800	\$ 5,468	\$ 65,616
4d	<i>CNH Capital (formerly Case Capital)(5)</i>	\$ 72,000	\$ 1,358	\$ 16,296
4e	<i>Ford(6)</i>	\$ 27,900	\$ 526	\$ 6,312
4f	<i>GE CDF(7)</i>	\$ 373,050	\$ 7,039	\$ 84,468
4g	<i>Komatsu (8)</i>	\$ 124,200	\$ 2,343	\$ 28,116
4h	<i>GE Capital/Ingersoll</i>	\$ 279,900	\$ 5,282	\$ 63,384

(1) AER reserves the right to return equipment to the holders of Class 4 Claims in exchange for a credit against the debt equal to the fair market value of the returned equipment, as set forth in Exhibits "B" through "G".

(2) The Allowed Amounts of Class 4 Claims are subject to revision or adjustment as of the Effective Date based upon credits, payments, offsets, and/or sales of equipment.

(3) The Debtor is authorized to sell equipment that is subject to the liens of the holders of Allowed Claims in Classes 4c through 4h for the current fair market value amounts set forth in Exhibits "B" through "G" (subject to downward adjustment for payments made to the holders of Allowed Claims in Classes 4c through 4h, the "Release Price").

(4) The holder of Allowed Class 4c Claims (John Deere Credit) will retain its Liens on the equipment that is listed in Exhibit "B" to the Plan, and except as modified by the terms and provisions of the Plan, the loan documents executed by AER prior to the Petition Date with respect to the Class 4c Claims will remain in effect.

(5) The holder of Allowed Class 4d Claims (CNH Capital) will retain its Liens on the equipment that is listed in Exhibit "C" to the Plan, and except as modified by the terms and provisions of the Plan, the loan documents executed by AER prior to the Petition Date with respect to the Class 4d Claims will remain in effect. As an alternative to the treatment provided above, CNH Capital may elect to receive its Equipment back in full satisfaction of all claims.

(6) The holder of Allowed Class 4e Claims (Ford) will retain its Liens on the equipment that is listed in Exhibit "D" to the Plan, and except as modified by the terms and provisions of the Plan, the loan documents executed by AER prior to the Petition Date with respect to the Class 4e Claims will remain in effect.

(7) The majority of the equipment financed by the holder of Class 4f Claims (GECDF) will be surrendered to GECDF on the Effective Date. The holder of Allowed Class 4f Claims (GECDF) will retain its lien on the equipment that is listed in Exhibit "E" to the Plan, and except as modified by the terms and provisions of the Plan, the loan documents executed by AER prior to the Petition Date with respect to the Class 4f Claims will remain in effect.

(8) The holder of Allowed Class 4g Claims (Komatsu) will retain its Liens on the equipment that is listed in Exhibit "F" to the Plan, and except as modified by the terms and provisions of the Plan, the loan documents executed by AER prior to the Petition Date with respect to the Class 4g Claims will remain in effect.

(9) The holder of Allowed Class 4h Claims (GE Capital/Ingersoll Rand) will retain its Liens on the equipment that is listed in Exhibit "G" to the Plan, and except as modified by the terms and provisions of the Plan, the loan documents executed by AER prior to the Petition Date with respect to the Class 4h Claims will remain in effect.

As an alternative to the treatment provided to Class 4 under the Plan, and to the extent AER obtains financing, in full satisfaction of all Class 4 Claims against AER, holders of Allowed Class 4b through Class 4h Claims may elect a discounted payoff in a lump sum equal to eighty-five percent (85%) of the Allowed Class 4 Claims, payable on the Effective Date (the "Discounted Payoff"). Upon receipt the Discounted Payoff, all Claims held by an electing Class 4 Creditor, including corresponding Class 5 Claims of the electing Class 4 Creditor, will be satisfied in full.

<u>Class</u>	<u>Description</u>	<u>Allowed Amount(1)</u>	<u>Discounted Payoff Amount (1)</u>
4b1	JLG Finance (formerly Wells Fargo) (2)		\$ 601,350

1	<b>4b2</b>	<i>JLG Finance (formerly US Bancorp)</i>	elected Discounted Payoff option	\$ 595,800
2	<b>4b3</b>	<i>JLG Finance (formerly GE Capital Lease)</i>		\$ 216,900
3	<b>4c</b>	<i>John Deere Credit</i>	\$ 289,800	\$ 246,330
4	<b>4d</b>	<i>CNH Capital (formerly Case Capital)</i>	\$ 72,000	\$ 61,200
5	<b>4e</b>	<i>Ford</i>	\$ 27,900	\$ 23,715
6	<b>4f</b>	<i>GE CDF</i>	\$ 373,050	\$ 317,092
7	<b>4g</b>	<i>Komatsu</i>	\$ 124,200	\$ 105,570
8	<b>4h</b>	<i>GE Capital/Ingersoll Rand</i>	\$ 279,900	\$ 237,915

(1) The Allowed Amounts of Class 4 Claims are subject to revision or adjustment as of the Effective Date based upon credits, payments, offsets, adequate protection payments, and/or sales of equipment.

(2) The Discounted Payoff of the Class 4b1, 4b2, and 4b3 Claims of JLG Finance will be made in accordance with the terms and conditions of the agreement between AER and JLG Finance which is attached as Exhibit "H" to the Plan.

#### 10 4. Class 5 (Unsecured Claims).

11 a. **Class 5(a) (Volvo Deficiency Claims).** Class 5(a)<sup>1</sup> consists of the Deficiency  
 12 Claims of Volvo. Class 5(a) Claims are impaired and holders of Allowed Class 5(a) Claims will be  
 entitled to vote to accept or reject the Plan.

13 (i) **Class 5(a)(i) (Volvo \$2 million Deficiency Claim).** Allowed Class 5(a)(i)  
 14 Claims will be paid monthly according to a ten (10) year amortization schedule, with interest at  
 the rate of seven percent (7%) per annum beginning thirty (30) days after the Effective Date of the  
 Plan.

<u>Class</u>	<u>Allowed Amount</u>	<u>Monthly Plan Payments</u>	<u>Annual Plan Payments</u>
5(a)(i)	\$ 2,000,000	\$23,222	\$278,664

17 (ii) **Class 5(a)(ii) (Volvo \$1.8 million Deficiency Claim).** Allowed Class  
 18 5(a)(ii) Claims will receive monthly payments of interest only at the rate of five and a half percent  
 (5.5%) per annum beginning thirty (30) days after the Effective Date of the Plan for (5) years, with  
 an option in favor of the Reorganized Debtor for an additional five (5) years of monthly payments  
 of interest only to Volvo if the payments under the Plan on year 5 are current. All unpaid principal  
 and interest owing to the holders of Allowed Class 5(a)(ii) Claims will be paid on either the fifth  
 (5th) or tenth (10<sup>th</sup>) anniversary of the Effective Date of the Plan.

<u>Class</u>	<u>Allowed Amount</u>	<u>Monthly Plan Payments</u>	<u>Annual Plan Payments</u>

22 <sup>1</sup> The treatment of Volvo's Deficiency Claims will be according to the Term Sheet and addendum  
 which are attached as Exhibit "A" to the Plan.

1	5(a)(ii)	\$ 1,800,000	\$8,250	\$99,000
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2           **b. Class 5(b) (Convenience Class).** Class 5(b) consists of Convenience Class Claims.  
 3 Allowed Class 5(b) Claims, estimated in the aggregate amount of \$32,000, will be paid sixty (60)  
 4 days following the Effective Date of the Plan. Holders of Class 5(b) Claims are impaired by the  
 5 Plan.

6           **(i) Election for Convenience Class.** An Allowed General Unsecured Claim in  
 7 an amount of \$5,000 or less, or any General Unsecured Claim that is reduced to \$5,000 by election  
 8 of the holder thereof as provided on the Ballot; provided that, for these purposes, all such General  
 9 Unsecured Claims held by an entity or by an entity and any Affiliate of such entity shall be  
 10 aggregated and treated as one such General Unsecured Claim; provided further that if all or any  
 11 part of a General Unsecured Claim was or is assigned, the General Unsecured Claim held by all  
 12 assignees of such General Unsecured Claim shall be treated collectively as one such General  
 13 Unsecured Claim for purposes of this definition.

14           **c. Class 5(c) (Other Deficiency Claims).** Class 5(c) consists of Deficiency Claims  
 15 of the creditors listed in Classes 4(c)-(h), assuming that such creditors do not elect the alternative  
 16 Discounted Payoff option. Allowed Class 5(c) Claims will receive monthly payments of interest  
 17 only at the rate of five and a half percent (5.5%) per annum beginning thirty (30) days after the  
 18 Effective Date of the Plan for five (5) years, with an automatic option in favor of the Reorganized  
 19 Debtor for an additional five (5) years of monthly payments of interest only to the holders of  
 20 Allowed Class 5(c) Claims if the payments under the Plan on year 5 are current. All unpaid  
 21 principal and interest owing to the holders of Allowed Class 5(c) Claims will be paid on the fifth  
 22 (5<sup>th</sup>) or tenth (10<sup>th</sup>) anniversary of the Effective Date of the Plan. Class 5(c) Claims are impaired  
 23 and holders of Allowed Class 5(c) Claims will be entitled to vote to accept or reject the Plan.  
 24 Holders of Allowed Class 5(c) Claims will be entitled to a pro rata distribution of periodic  
 25 principal reductions equal to the amount of any funds actually distributed to the Debtor's equity  
 26 holders, after payment of current salaries to such equity holders, and distributions, as necessary, to  
 27 the equity holders to pay tax liabilities.

Description	Allowed Amount(1)	Monthly Plan Payments	Annual Plan Payments
John Deere Credit	\$ 32,981	\$ 151	\$ 1,812
CNH Capital (formerly Case Capital)	\$ 53,728	\$ 246	\$ 2,952
Ford	\$ 9,900	\$ 45	\$ 540
GE CDF(2)	\$ TBD	\$ TBD	\$ TBD
Komatsu(3)	\$ TBD	\$ TBD	\$ TBD
GE Capital/Ingersoll Rand	\$ 111,800	\$ 512	\$ 6,144

15           (1) Payments to the holders of Allowed Class 5(c) Other Deficiency Claims are subject to  
 16 revision or adjustment as of the Effective Date based upon credits, payments, offsets, adequate  
 17 protection payments, and/or sales of equipment.

18           (2) GE CDF is of the view that there is equity in its equipment, and therefore any equipment  
 19 that is returned to GE CDF will result in no deficiency claim on any such equipment.

(3) Komatsu is of the view that there is equity in certain pieces of its equipment, and therefore any such equipment that is returned to Komatsu will result in no deficiency claim on the equipment.

**d. Class 5(d) (Lease Rejection Claims).** Class 5(d) consists of claims for damages relating to the rejection of various leases and executory contracts. Allowed Class 5(d) Claims will receive monthly payments of interest only at the rate of five and a half percent (5.5%) per annum beginning thirty (30) days after the Effective Date of the Plan for five (5) years, with an automatic option in favor of the Reorganized Debtor for an additional five (5) years of monthly payments of interest only to the holders of Allowed Class 5(d) Claims if the payments under the Plan on year 5 are current. All unpaid principal and interest owing to the holders of Allowed Class 5(d) Claims will be paid on the fifth (5<sup>th</sup>) or tenth (10<sup>th</sup>) anniversary of the Effective Date of the Plan. Class 5(d) Claims are impaired and holders of Allowed Class 5(d) Claims will be entitled to vote to accept or reject the Plan. Holders of Allowed Class 5(d) Claims will be entitled to a pro rata distribution of periodic principal reductions equal to the amount of any funds actually distributed to the Debtor's equity holders, after payment of current salaries to such equity holders, and distributions, as necessary, to the equity holders to pay tax liabilities.

e. **Class 5(e) (General Unsecured Claims).** Class 5(e) consists of General Unsecured Claims other than General Unsecured Claims in Classes 5(a) through 5(d). Allowed Class 5(e) Claims will receive monthly payments of interest only at the rate of five and a half percent (5.5%) per annum beginning thirty (30) days after the Effective Date of the Plan for five (5) years, with an automatic option in favor of the Reorganized Debtor for an additional five (5) years of monthly payments of interest only to the holders of Allowed Class 5(e) Claims if the payments under the Plan on year 5 are current. All unpaid principal and interest owing to the holders of Allowed Class 5(e) Claims will be paid on the fifth (5<sup>th</sup>) or tenth (10<sup>th</sup>) anniversary of the Effective Date of the Plan. Class 5(e) Claims are impaired and holders of Allowed Class 5(e) Claims will be entitled to vote to accept or reject the Plan. Holders of Allowed Class 5(e) Claims will be entitled to a pro rata distribution of periodic principal reductions equal to the amount of any funds actually distributed to the Debtor's equity holders, after payment of current salaries to such equity holders, and distributions, as necessary, to the equity holders to pay tax liabilities.

**5. Class 6 (Related Parties Unsecured).** Class 6 consists of Unsecured Claims of Related Parties. Jeffrey and Lisa Bleecker have made numerous loans to the Debtor since the company was founded. As of the Petition Date, the balance due and owing to the Bleeckers was approximately \$2,343,630 (the “Bleecker Loan”). Lance and Stephanie Evic have also made loans to the Debtor, and as of the Petition Date the balance owing to the Evics was approximately \$190,375 (the “Evic Loan”, together with the Bleecker loan, collectively, the “Member Loans”). The Member Loans are demand loans, with interest payable in monthly installments calculated at seven percent (7%) simple interest. Allowed Class 6 Claims will receive monthly payments of interest only at the rate of five and a half percent (5.5%) per annum beginning thirty (30) days after the Effective Date of the Plan for five (5) years, with an automatic option in favor of the Reorganized Debtor for an additional five (5) years of monthly payments of interest only to the holders of Allowed Class 6 Claims if the payments under the Plan on year 5 are current. All unpaid principal and interest owing to the holders of Allowed Class 6 Claims will be paid on the tenth (10<sup>th</sup>) anniversary of the Effective Date of the Plan. Class 6 Claims are impaired and holders of Allowed Class 6 Claims will be entitled to vote to accept or reject the Plan.

1

**IX.**

**OVERVIEW OF ADDITIONAL PLAN PROVISIONS**

2

3

A. **Implementation of the Plan & Conditions to Effectiveness.**

4

The means of execution of the Plan are and will be as follows:

5

6

1. **Conditions Precedent to Occurrence of Effective Date.** It is a condition of the  
Effective Date that the Confirmation Order has been entered by the Bankruptcy Court and has  
become a Final Order. The Effective Date is expected to occur within eleven (11) calendar days  
of the entry of the Confirmation Order.

7

8

2. **Implementation.**

9

10

(a) **Cash Flow and Volvo Exit Financing.** Payments under the Plan will come  
from cash flow generated by the ongoing operation of the Debtor's business and from \$3 million  
of Exit Financing obtained from Volvo according to the Term Sheet and addendum which are  
attached as Exhibit "A" to the Plan.. The Debtor also anticipates that rentals and cash flow  
generated from the continued operation of its business will increase and stabilize in the coming  
months, thereby increasing the cash flow for the remaining payments under the Plan.

11

12

(b) **Sales of Equipment.** The Reorganized Debtor is authorized to sell  
equipment that is subject to liens of Volvo in accordance with the Term Sheet and addendum that  
is attached as Exhibit "A" to the Plan. The Reorganized Debtor is authorized to sell equipment  
that is subject to the liens of the holders of Allowed Claims in Classes 4c through 4h for the  
current fair market value amounts set forth in Exhibits "B" through "G" to the Plan (subject to  
downward adjustment for payments made to the holders of Allowed Claims in Classes 4c through  
4h, the "Release Price"). The Reorganized Debtor will remit the Release Price to the holders of  
Allowed Claims in Classes 4c through 4h whose collateral is sold following confirmation of the  
Plan.

13

14

(c) **Future Management of Debtor.** The Reorganized Debtor will continue to  
be operated by Jeff Bleecker and Lance Evic who will receive initial salaries of \$125,000 each per  
year following the Effective Date.

15

16

B. **Resolution of Claims, Demands, and Causes of Action.**

17

18

1. **Preservation of Debtor' Claims, Demands, and Causes of Action.** All claims,  
demands, and causes of action of any kind or nature whatsoever held by, through, or on behalf of  
the Debtor arising before the Effective Date and that have not been resolved or disposed of prior to  
the Effective Date, are preserved in full for the benefit of the Debtor and the Debtor will own and  
retain, and may prosecute, enforce, compromise, settle, release, or otherwise dispose of, any and  
all claims, defenses, counterclaims, setoffs, and recoupments belonging to the Debtor.

19

1           2.     Procedure for Determination of Claims.

2           (a)    **Objections to Claims.** Except as to any Claim that has been Allowed prior  
3 to the Effective Date, the Debtor may object to the allowance of any Claim against the Debtor or  
seek estimation on any Claim.

4           (b)    **Disputed Claims.** No payments or other distributions will be made to  
holders of Claims unless and until such Claims are Allowed Claims pursuant to a Final Order. If a  
Claim is not an Allowed Claim by or on the Effective Date or when payment is otherwise due  
under the Plan, payment of the Allowed Claim will be made when a Claim becomes an Allowed  
Claim after the Effective Date or as otherwise specifically provided in the Plan.

5           (c)    **Treatment of Contingent Claims.** Until such time as a contingent Claim  
6 or a contingent portion of an Allowed Claim becomes fixed or absolute or is Disallowed, such  
7 Claim will be treated as a Disputed Claim for all purposes related to distributions under the Plan.  
The holder of a contingent Claim will only be entitled to a distribution under the Plan when and if  
8 such contingent Claim becomes an Allowed Claim.

9           3.     **Administrative Claims Bar Date.** Proofs of claim (or, for Professional Charges,  
10 fee applications) requesting payment of administrative costs and expenses incurred prior to the  
Effective Date pursuant to Sections 507(a)(1) and 503(b) of the Bankruptcy Code must be served  
and filed with the Bankruptcy Court no later than thirty (30) days after the Effective Date;  
provided, however, that proofs of claim will not be required with respect to any unpaid post-  
petition operating expenses incurred in the normal course of the Debtor' businesses prior to the  
Effective Date. Any such Claim that is not served and filed within this time period will be forever  
barred. Any Claims for fees, costs, and expenses incurred by any Chapter 11 Professionals after  
the Effective Date will be paid in the ordinary course of the Debtor' businesses.

11           C.     Treatment of Executory Contracts.

12           1.     **Rejection of Executory Contracts.** The Plan contemplates and provides for the  
rejection, pursuant to Section 365 of the Bankruptcy Code, of any and all Executory Contracts of  
the Debtor which are in force on the Confirmation Date, except those Executory Contracts which  
were specifically assumed pursuant to an order of the Court.

13           2.     **Assumption of Other Executory Contracts.** Before the Confirmation Hearing,  
14 the Debtor may file one or more motions identifying any Executory Contracts that it intends to  
assume as of the Effective Date; and such motions and the Bankruptcy Court's orders thereon will  
15 be deemed incorporated in the Plan. All Executory Contracts not otherwise assumed will be  
16 rejected as of the Confirmation Date.

17           3.     **Rejection Claims Bar Date.** Every Claim asserted by a Creditor arising from an  
18 Executory Contract that is rejected under the Plan must be filed with the Bankruptcy Court no  
later than the first Business Day that is thirty (30) days after the Effective Date. Every such Claim  
that is timely filed will be treated under the Plan as a General Unsecured Claim. Every such  
Claim that is not timely filed by the deadline stated above will be forever barred, unenforceable,  
19 and discharged, and the Creditor holding the Claim will not receive or be entitled to any  
distribution under the Plan on account of such Claim.

1      **D. Miscellaneous Plan Provisions.**

2      **1. Retention of Jurisdiction.** As described in detail in the Plan, the Plan provides for  
3      the retention of jurisdiction by the Bankruptcy Court over various aspects of the Debtor's  
4      Bankruptcy Case from and after the Effective Date.

5      **2. Exculpation and Limitation of Liability.** Neither the Debtor nor any of its  
6      respective present or former members, managers, employees, advisors, attorneys, or agents will  
7      have or incur any liability to any holder of a Claim or any other party-in-interest or any of their  
8      respective agents, employees, representatives, advisors, attorneys, or affiliates, or any of their  
9      successors or assigns, for any act or omission in connection with, relating to, or arising out of the  
10     Bankruptcy Case, the extension of credit to the Debtor during the Bankruptcy Case pursuant to  
11     debtor-in-possession financing or the use of cash collateral, efforts to obtain confirmation of the  
12     Plan, the consummation of the Plan, or the administration of the Plan or the property to be  
13     distributed under the Plan, except for their willful misconduct, and in all respects such parties will  
14     be entitled to rely reasonably upon the advice of counsel with respect to their duties and  
15     responsibilities under the Plan or in the context of the Bankruptcy Case.

16     **3. General Injunction.** Except as otherwise expressly provided in the Plan, the  
17     Confirmation Order shall provide, among other things, that all parties-in-interest who have held,  
18     hold, or may hold Claims are permanently enjoined on and after the Effective Date from: (a)  
19     commencing or continuing in any manner any action or other proceeding of any kind with respect  
20     to any such Claim against the Debtor or any successor-in-interest of the Debtor, against property  
21     of the Debtor, or against property of any successor-in-interest of the Debtor; (b) the enforcement,  
22     attachment, collection, or recovery by any manner or means of any judgment, award, decree, or  
   order against the Debtor or any successor-in-interest of the Debtor, property of the Debtor, or  
   against property of any successor-in-interest of the Debtor with respect to any such Claim; (c)  
   creating, perfecting, or enforcing any encumbrance of any kind against the Debtor or any  
   successor-in-interest of the Debtor, against property of the Debtor, or against property of any  
   successor-in-interest of the Debtor with respect to any such Claim; (d) from asserting any setoff,  
   right of subrogation, or recoupment of any kind against any obligation due the Debtor or any  
   successor-in-interest of the Debtor, against property of the Debtor, or against property of any  
   successor-in-interest of the Debtor, with respect to any such Claim; (e) conducting any form of  
   discovery from the Debtor with respect to any such Claim, or any successor-in-interest of the  
   Debtor; and/or (f) harassing the Debtor or any successor-in-interest of the Debtor.

23     **4. Vesting.** As of the Effective Date of the Plan, AER shall be vested with all of the  
24     Assets of the Estate. All assets transferred to the AER shall be free and clear of all liens, claims,  
25     and interest of creditors and parties-in-interest, except as specifically provided in the Plan. Upon  
26     the Effective Date, except as provided in the Plan, the Debtor shall be free to borrow without  
27     further Bankruptcy Court order, such sums of money upon such terms and conditions as it may, in  
28     its sole discretion, determine, including the granting of liens and purchase money security  
29     interests.

30     **5. Payment of Statutory Fees and Filing of Quarterly Reports.** All fees payable  
31     pursuant to 28 U.S.C. § 1980, as determined by the Bankruptcy Court at or in conjunction with the  
32     Confirmation Hearing, will be paid on or before the Effective Date and, thereafter, in accordance

with applicable bankruptcy law. All quarterly reports of disbursements required to be filed by applicable bankruptcy law will be filed in accordance with applicable bankruptcy law.

**6. Delay of Enforcement of Claims Against Owners of AER.** Entry of the Confirmation Order will temporarily restrain Creditors from taking any of the following actions against any members of the Debtor, or against any property in which members of the Debtor hold an interest, on account of any judgments, claims or causes of action that arise out of or relate to Claims against the Debtor or the Estate (the “Restrained Claims”), including: (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any Restrained Claim; (b) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order with respect to any Restrained Claim; (c) creating, perfecting, or enforcing any lien or encumbrance of any kind with respect to any Restrained Claim; or (d) harassing the members of the Debtor with respect to any Restrained Claim. The prohibition from proceeding with Restrained Claims will remain in effect until the earlier of: (x) five (5) years following the Effective Date; or (y) for Creditors whose Allowed Claims are the subject of a default by the Reorganized Debtor under the terms of the Plan, the failure of the Debtor to cure the default within thirty (30) days following the delivery of a written notice of default.

## X. FEDERAL TAX CONSEQUENCES

#### A. No Federal Tax Consequences.

AER is an Arizona limited liability company (LLC). LLCs are pass-through entities for federal income tax purposes and are not subject to federal income tax; the members are directly taxed individually on the income, taking into account the member's share of the profits and losses. Nevertheless, each holder of a claim is urged to consult with its own tax advisor regarding the federal, state, local and other tax consequences of the Plan. No rules have been requested from the Internal Revenue Service with respect to any of the tax aspects of the Plan.

## XI.

# VOTING PROCEDURES AND REQUIREMENTS

#### A. Parties Entitled to Vote.

If you hold an Allowed Claim that is “impaired” under the Plan, you are entitled to vote to accept or reject the Plan. Accordingly, to be entitled to vote, your Claim must be “allowed” as set forth in Section 502 of the Bankruptcy Code or temporarily allowed as set forth in Bankruptcy Rule 3018(a). Additionally, Section 1126(f) of the Bankruptcy Code permits you to vote to accept or reject the Plan only if your Claim is “impaired.”

## B. Procedures for Voting.

**1. Submission of Ballots.** After this Disclosure Statement has been approved by the Bankruptcy Court, all Creditors whose votes are solicited (as explained above) will be sent (a) a ballot, together with instructions for voting (the "Ballot"); (b) a copy of this Disclosure Statement as approved by the Bankruptcy Court; and (c) a copy of the Plan. You should read the Ballot

1 carefully and follow the instructions. Please use only the Ballot sent with this Disclosure  
2 Statement. You should complete your Ballot and return it to:

3           GALLAGHER & KENNEDY, P.A.  
4           Attn: John R. Clemency  
5           2575 EAST CAMELBACK ROAD  
6           Suite 1100  
7           PHOENIX, ARIZONA 85016  
8           Telephone: (602) 530-8000

9           **TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS LISTED  
10 ABOVE BY 5:00 P.M., MOUNTAIN STANDARD TIME, ON \_\_\_\_\_, 2010.  
11 IF YOUR BALLOT IS NOT TIMELY RECEIVED, IT WILL NOT BE COUNTED IN  
12 DETERMINING WHETHER THE PLAN HAS BEEN ACCEPTED OR REJECTED.**

13           A properly addressed, stamped return envelope will be included with your Ballot.

14           **2. Procedures for Vote Tabulation.** In determining whether the Plan has been  
15 accepted or rejected, Ballots will be tabulated in accordance with the Court's Order approving this  
16 Disclosure Statement.

17           **3. Withdrawal of Ballots.** A Ballot may not be withdrawn or changed after it is cast  
18 unless the Bankruptcy Court permits you to do so after notice and a hearing to determine whether  
19 sufficient cause exists to permit the change.

20           **4. Questions and Lost or Damaged Ballots.** If you have any questions concerning  
21 voting procedures, if your Ballot is damaged or lost, or if you believe you should have received a  
22 Ballot but did not receive one, you may contact, Debtor's counsel, John Clemency, at the address  
23 and telephone number listed above.

24           **C. Summary of Voting Requirements.**

25           In order for the Plan to be confirmed, the Plan must be accepted by at least one (1)  
26 impaired Class of Claims. For a Class of Claims to accept the Plan, votes representing at least  
27 two-thirds in claim amount and a majority in number of the Claims voted in that Class (not  
28 including votes of insiders) must be cast to accept the Plan.

29           **IT IS IMPORTANT THAT HOLDERS OF ALLOWED  
30 IMPAIRED CLAIMS EXERCISE THEIR RIGHTS TO  
31 VOTE TO ACCEPT OR REJECT THE PLAN. THE  
32 DEBTOR ASSERTS THAT THE TREATMENT OF  
33 CREDITORS UNDER THE PLAN IS THE BEST  
34 ALTERNATIVE FOR CREDITORS, AND THE DEBTOR  
35 RECOMMENDS THAT THE HOLDERS OF ALLOWED  
36 CLAIMS VOTE IN FAVOR OF THE PLAN.**

The specific treatment of each Class under the Plan is described in the Plan and is summarized in this Disclosure Statement.

## XII. **LIQUIDATION ANALYSIS**

The table below reflects the estimated recoveries of creditors under the Plan and under a Chapter 7 liquidation of the Debtor. The estimated recoveries are based on the Inventory values ascribed by Debtor that are attached as Exhibit "B" to this Disclosure Statement, as well as the current fair market values set forth in Exhibits "B" through "G" to the Plan.

<b>Claimant/Class</b>	<b>Claim Amount</b>	<b>Plan Recovery</b>	<b>Chapter 7 Recovery</b>
Administrative Claims (Class 1)	\$50,000	\$50,000	\$25,000
Priority Tax Claims (Class 2)	Unknown	Unknown	Unknown
Secured Tax Claims (Class 3)	\$34,000	\$34,000	\$34,000
Secured Claims (Class 4) <sup>1</sup>	\$8,154,498 <sup>2</sup>	\$8,154,498 <sup>2</sup>	\$8,154,498 <sup>2</sup>
Unsecured Claims (Class 5)	\$6,272,833	\$6,272,833	\$0
Related Party Unsecured Claims (Class 6)	\$2,500,000	\$2,500,000	\$0
Member Interests (Class 7)	NA	Retained	Extinguished
<b>Totals</b>	<b>\$17,011,331</b>	<b>\$17,011,331</b>	<b>\$8,213,498</b>

### XIII. CONFIRMATION OF THE PLAN

## A. Confirmation Hearing.

Section 1128(a) of the Bankruptcy Code provides that the Bankruptcy Court, after notice, will hold a Confirmation Hearing on the Plan. The Confirmation Hearing will be held at the United States Bankruptcy Court in Courtroom 446, 38 South Scott Avenue, Tucson, Arizona, on \_\_\_\_\_, 2010, at 10:00 a.m. **THE HEARING MAY BE ADJOURNED FROM TIME TO TIME BY THE COURT WITHOUT FURTHER NOTICE EXCEPT FOR AN ANNOUNCEMENT MADE AT THE HEARING.**

## B. Objections to Confirmation.

Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Plan, regardless of whether it is entitled to vote. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. **IF AN OBJECTION TO CONFIRMATION IS NOT TIMELY MADE, THE COURT NEED NOT RECEIVE AND CONSIDER IT.** All objections to confirmation of the Plan must be filed with the Bankruptcy Court and served on the

<sup>1</sup> Plus accrued and accruing interest, and recoverable costs and expenses.

<sup>2</sup> The following discounts were applied based on Debtor's analysis: Equipment- 25%; Accounts Receivable- 25%; Miscellaneous Personal Property and Parts Inventory- 85%

1 Debtor's counsel at the address set forth above, on the United States Trustee, and on any party-in-  
2 interest who has requested notice in the Debtor's Bankruptcy Case, by \_\_\_\_\_, 2010.

3

4 **C. Requirements for Confirmation of the Plan.**

5

6 **1. Confirmation Under Section 1129(a) of the Bankruptcy Code.** At the  
7 Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of Section  
8 1129(a) of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court will  
9 enter an order confirming the Plan. Such requirements include, among others:

10 (a) That the Debtor has complied with the applicable provisions of Chapter 11,  
11 including the provisions of Sections 1122 and 1123 of the Bankruptcy Code governing  
12 classification of claims and interests and contents of a plan of reorganization.

13 (b) That the Debtor has proposed the Plan in good faith and not by any means  
14 forbidden by law.

15 (c) That any payment made or promised by the Debtor to any Person for  
16 services, costs, or expenses in connection with the Bankruptcy Case or the Plan has been  
17 approved by or is subject to approval by the Bankruptcy Court as reasonable.

18 (d) That the Debtor has disclosed the identity and affiliations of Persons  
19 proposed to serve as officers after confirmation.

20 (e) That one or more of the impaired Classes of Claims has voted to accept the  
21 Plan.

22 (f) That the Plan is in the best interests of holders of Claims and Equity  
23 Interests; that is, each holder of an Allowed Claim or Allowed Equity Interest either has  
24 accepted the Plan or will receive on account of its Claim or Equity Interest property with a  
25 value, as of the Effective Date, that is not less than the amount that the holder of such  
26 Claim or Equity Interest would receive if the Debtor was liquidated under Chapter 7 of the  
27 Bankruptcy Code on the Effective Date.

28 (g) That the Plan is feasible; that is, confirmation is not likely to be followed by  
29 the need for liquidation or further reorganization of the Debtor unless that is provided for  
30 in the Plan. The Debtor's Plan so provides; thus, feasibility is not an issue.

31 **2. Debtor Believes the Plan Satisfies Bankruptcy Code Requirements.**

32 (a) **Best Interests Test and Liquidation Analysis.** Under the best interests  
33 test, the Plan is confirmable if, with respect to each impaired Class of Claims or Equity  
34 Interests, each holder of an Allowed Claim or Allowed Equity Interest in such Class either:  
35 (i) has accepted the Plan; or (ii) will receive or retain under the Plan, on account of its  
36 Claim or Interest, property of a value, as of the Effective Date, that is not less than the  
37 amount such holder would receive or retain if the Debtor were liquidated under Chapter 7  
38 of the Bankruptcy Code.

1                   As set forth above, the Debtor believes the distributions to Creditors under the Plan  
2 will meet or exceed the recoveries that Creditors would receive in a Chapter 7 liquidation  
3 of the Debtor and its Estate. The Debtor believes that the Plan provides an equal or better  
4 return to Creditors than they can otherwise receive under Chapter 7, and therefore the best  
5 interests of creditors test is met.  
6

7                   (b) **Feasibility of the Plan.** Section 1129(a)(11) of the Bankruptcy Code  
8 includes what is commonly described as the “feasibility” standard. In order for the Plan to  
9 be confirmed, the Bankruptcy Court also must determine that the Plan is feasible - that is,  
10 that the need for further reorganization or a subsequent liquidation of the Debtor is not  
11 likely to result following confirmation of the Plan. As set forth in this Disclosure  
12 Statement and in the Plan, the Debtor believes the Plan is feasible. Attached to this  
13 Disclosure Statement as Exhibit “E” are cash flow projections prepared by AER which  
14 reflects the ability of AER to make the payments called for under the Plan.

15                  (c) **Acceptance by an Impaired Class.** Because the Plan impairs some  
16 Classes of Claims, Section 1129(a)(10) of the Bankruptcy Code requires that, for the Plan  
17 to be confirmed, at least one impaired Class must accept the Plan by the requisite vote  
18 without counting the votes of any “insiders” (as that term is defined in Section 101(31) of  
19 the Bankruptcy Code) contained in that Class. The Debtor believes that at least one  
20 impaired Class will vote to accept the Plan.

21                  (d) **Confirmation Under Section 1129(b) of the Bankruptcy Code.**  
22 Although Section 1129(a)(8) of the Bankruptcy Code requires that the Plan be accepted by  
each Class that is impaired by the Plan, Section 1129(b) of the Bankruptcy Code provides  
that the Bankruptcy Court may still confirm the Plan at the request of the Debtor if all  
requirements of Section 1129(a) of the Bankruptcy Code are met except for Section  
1129(a)(8) and if, with respect to each Class of Claims or Equity Interests that (a) is  
impaired under the Plan, and (b) has not voted to accept the Plan, the Plan “does not  
discriminate unfairly” and is “fair and equitable.” This provision commonly is referred to  
as a “cramdown.” The Debtor has requested cramdown confirmation of the Plan with  
respect to any such non-accepting Class of Creditors as well as the deemed rejecting Class  
of Equity Interests, who will receive nothing. **The Debtor believes that, with respect to  
such Class or Classes, the Plan meets the requirements of Section 1129(b) of the  
Bankruptcy Code.**

23                  (1) **Unfair Discrimination.** A plan of reorganization “does not  
24 discriminate unfairly” if: (i) the legal rights of a non-accepting class are treated in  
25 a manner that is consistent with the treatment of other classes whose legal rights are  
26 related to those of the non-accepting class; and (ii) no class receives payments in  
27 excess of that which it is legally entitled to receive on account of its Claims or  
28 Equity Interests. The Debtor assert that under the Plan: (i) all classes of impaired  
29 Claims are being treated in a manner that is consistent with the treatment of other  
similar classes of Claims; and (ii) no Class of Claims will receive payments or  
30 property with an aggregate value greater than the sum of the Allowed Claims in the  
Class. Accordingly, the Debtor believes that the Plan does not discriminate  
31 unfairly as to any impaired Class of Claims or Equity Interests.

**(2) Fair and Equitable Test.** The Bankruptcy Code establishes different “fair and equitable” tests for Secured Creditors, Unsecured Creditors, and holders of Equity Interests, as follows:

(i) **Secured Creditors.** With respect to a secured claim, “fair and equitable” means that a plan provides that either (A) the holder of the secured claim in an impaired class retains the liens securing such claim, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the amount of such allowed claim, and that the holder of such claim receives on account of such claim deferred cash payments totaling at least the amount of such allowed claim, of a value, as of the effective date, of at least the value of such holder’s interest in the estate’s interest in such property; (B) for the sale, subject to Section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such claim, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clauses (A) and (C); or (C) the realization by such holder of the “indubitable equivalent” of such claim.

**(ii) Unsecured Creditors.** With respect to an unsecured claim, “fair and equitable” means that a plan provides that either (A) each impaired unsecured creditor receives or retains property of a value, as of the effective date, equal to the amount of its allowed claim; or (B) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive or retain any property under the plan.

(iii) **Equity Interest Holders.** With respect to holders of equity interests, "fair and equitable" means that a plan provides that either (A) each holder will receive or retain under the plan property of a value, as of the effective date, equal to the greater of: (1) the fixed liquidation preference or redemption price, if any, of such interest; or (2) the value of such interest; or (B) the holders of equity interests that are junior to the non-accepting class will not receive any property under the plan.

The Debtor believes the Plan complies with the Claims priority established by the Bankruptcy Code and thus the “fair and equitable” test of the Bankruptcy Code (including the absolute priority rule) is met with respect to the Secured Creditors and the Equity Interest holders under the Plan.

## XIV.

### ALTERNATIVES TO THE PLAN

If the Plan is not confirmed, several different events could occur: (1) the Debtor or a third party could propose another plan providing for different treatment of certain Creditors; (2) Secured Creditors, if any, could move for relief from the automatic stay to allow them to foreclose their liens against their collateral, which may be granted by the Court if an alternative plan is not confirmed in a reasonable period of time; (3) the Bankruptcy Court (after appropriate notice and

1 hearing) could dismiss the Bankruptcy Case or convert such to a case under Chapter 7 if an  
2 alternative plan is not confirmed in a reasonable period of time; or (4) the Bankruptcy Court could  
3 approve a sale of the Debtor's remaining assets to the highest and best bidder an auction sale  
under Section 363 of the Bankruptcy Code.

4

**RECOMMENDATION AND CONCLUSION**

5 The Debtor believes that the Plan provides the best available alternative for maximizing  
the recoveries that Creditors will receive from the Debtor's Assets. Therefore, the Debtor  
recommends that all Creditors that are entitled to vote on the Plan vote to accept the Plan.

6 Date: January 14, 2010

7 Arizona Equipment Rental, I, LLC

8 By: /s/ Jeffrey Bleecker

9 Name: Jeffrey S. Bleecker  
Title: Owner/Manager

10

11 PREPARED AND SUBMITTED BY:

12 GALLAGHER & KENNEDY, P.A.

13 By: /s/ Lindsy Weber

14 John R. Clemency  
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15 Attorneys for Arizona Equipment Rental I, LLC

16 COPIES of the foregoing were served  
17 this 14<sup>th</sup> day of January, 2010, via  
first-class, U.S. Mail, Email, and/or Facsimile  
18 to the parties on the attached service list.

19 /s/ Maricella Nunez

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